

MINUTES OF THE CITY COUNCIL
CITY OF AUSTIN, TEXAS
Special Called Council Meeting

January 20, 1978
5:00 P.M.

Council Chambers
301 West Second Street

The meeting was called to order with Mayor McClellan presiding.

Roll Call:

Present: Mayor McClellan, Mayor Pro Tem Trevino, Councilmembers Snell, Cooke, Himmelblau, Mullen, Goodman

Absent: None

Mayor McClellan opened the Special Council Meeting to discuss the assessment of the Electric Utility Construction Program and its adequacy.

Mr. R.L. Hancock, Director of the Electric Utility Department, presented the Electric Utility Construction Program Report to the Council and indicated that the presentation was simply to help familiarize the Council with the report itself. He stated that the presentation was in response to a request from the Council and the City Manager for an assessment of the Electric Utility system and that it addressed one of the Council's Goals in respect to energy. Mr. Hancock then read the Goal as follows:

"To develop and implement a comprehensive energy policy which reflects a commitment to deliver City Utilities at the most reasonable cost based on sound management and a concentration of energy resources."

Mr. Hancock indicated that they were addressing Objective 1A of the Goals which calls for the development of a comprehensive energy resource plan by October, 1978. He continued to say that the plan should be based on a review of the existing construction program and its adequacy for 1995.

Mr. Hancock stated that in 1973 a citizen's study committee was appointed which developed recommendations that culminated in a bond proposal for a generation expansion plan. The plan anticipated participation in a coal-fired facility with a yield of 560 Megawatts, and also participation in the South Texas Nuclear Project (STP). Mr. Hancock indicated that the proposition was presented to the public in the form of utility improvements with a special proposition for the South Texas Project in Matagorda County. Both propositions

were approved. Since this time, construction and engineering have proceeded in both projects. Mr. Hancock pointed out that they are currently having schedule attainment problems. He said that this would require taking the corrective action necessary to restore the projects on schedule. Mr. Hancock stated that by the end of 1979 the City should have its first coal-produced energy, in 1980 the second unit, in 1981 its first nuclear energy on line and in 1982, the second unit.

With respect to the fuel problem and the transition from gas and oil to solid fuels, Mr. Hancock cited some of the main concerns to be considered:

1. Economics
2. What new capacities will be required to meet the time frame set by the Council from 1978 to 1992?
3. What is the fuel distribution with any proposed generation plan?
4. What are the borrowing requirements for the Plan?
5. What is the ultimate impact on the rate payer from a cost point of view? This would take into consideration the facility costs and the fuel costs.

Mr. Hancock indicated that the report included alternative plans by which they could assess the impact of changes in generation systems. He stated that the economic aspects of the plan are on a present-worth basis which takes into consideration the time-value of money. On a plan of this sort extended over a long period of time with annual cost, there is difficulty in obtaining a comparison unless they're compared at the same point in time. Mr. Hancock indicated that it was a common engineering practice to assess future costs against present-day costs. He stated that there were several assumptions made with respect to plant costs, growth rates and fuel costs. He stated that it was also necessary to study how sensitive a particular plant might be to variations in these costs. Mr. Hancock indicated that the economic break-even on the Fayette plant based on the cost used is 18% for plant costs and 10% for fuel costs. In the South Texas Nuclear Project, the break-even for capital costs is such that the cost of the plant could rise to slightly under \$400 million and there would still be an economic break-even. Councilmember Goodman asked if this estimate took into account the fact that the cost of nuclear fuel has quadrupled since 1976. Mr. Hancock stated that the estimates were based on an average amount of \$50 per pound of uranium. Councilmember Goodman indicated that the operation of the South Texas Nuclear Plant may or may not be a good deal depending on the cost of uranium fuel at the time the facility comes on line. Mr. Hancock indicated that if the cost of nuclear fuel does go up, the break-even point would go down. He did state, however, that nuclear fuel could increase by as much as 215% above costs used in the study before an economic break-even is reached.

Mr. Hancock indicated that studies termed optimization studies were conducted to determine what the optimum participation in a project might be in order to guarantee the lowest possible worth. These studies were conducted at different growth rates of 0%, 4%, 6.1%, and an accelerated growth rate of 7.5%. These rates of growth are identified in the study. Mr. Hancock stated that they indicate that the participation in the South Texas Project is a little under optimum and the participation in the Fayette coal project is a little over optimum.

Mr. Hancock then made a chart presentation of the fold-out section of the executive study, page 18 (SEE: Appendix 1). The fold-out section lists several different energy generation plans with information relative to each.

Mr. Hancock indicated that the report was inclusive of price changes in

the South Texas Nuclear Project. Mayor McClellan asked Mr. Hancock to review this segment of the report. Mr. Hancock stated that in 1973, the project had an estimated cost of \$161 million which was the level of the bond authority. In 1975, the estimated cost rose to \$180 million and in 1977, the City received a definitive cost estimate of \$208 million. He stated that this was a \$28 million increase over the previous cost estimate of 1975. Mr. Hancock indicated that comparisons between current cost estimates and previous cost estimates were difficult due to a change in the accounting procedures. He pointed out that some of the costs differences were due to new nuclear regulatory changes, geological reassessment which necessitated changes in project design and inaccurate engineering estimations. Mr. Hancock also pointed out that a delay in the schedule could be costly to the project. He stated that maximum effort is being made to restore and maintain the schedule. Mr. Hancock stated that the report included tabulations for the variables which have occurred.

Mayor McClellan stated that the Electric Utility Commission would want a briefing on the report as well. Mr. Hancock indicated that the Commission would be looking at the report on Monday night, January 23rd. The Council engaged in no further discussion at this point.

ADJOURNMENT

The Special Called Council Meeting then adjourned at 6:00 P.M.

APPROVED

Casde Keeton McClellan
Mayor

ATTEST:

Grace Monson

City Clerk

FUEL SOURCE DISTRIBUTION % (MID 1980'S)			OIL REQUIRED FOR FOR 1990		ADDITIONAL BORROWING AUTHORITY REQ. THRU 1986 ①	
COAL	NUCLEAR	GAS / OIL	% OF ENERGY	BLS. IN MILLIONS	\$ MILLIONS	YEAR REQ.
18	45	37	17	1.9	350-450	1981
53	35	12	16	1.8	28(THRU 82) 34(THRU 83) 51(THRU 86)	1980
					208-271	1979
51	35	14	16	1.8	28(THRU 82) 34(THRU 83) 51(THRU 86)	1980
					241-313	1981
45	45	10	16	1.9	147(THRU 82) 153(THRU 83) 170(THRU 86)	1979
52	34	14	24	2.7	87(THRU 82) 93(THRU 83) 110(THRU 86)	1979
44	34	22	34	3.9	28(THRU 82) 34(THRU 83) 51(THRU 86)	1980
					199-258	1985
34	34	32	40	4.5	-4(THRU 82) 2(THRU 83) 19(THRU 84)	1983
					247-321	1984
75	0	25	16	1.8	350-450	1981
0	0	100	100	11.2	N/A	N/A

2) COST OF FUTURE LIGNITE PLANTS AND FUELS SHOULD BE VIEWED WITH CAUTION. THEY ARE PRELIMINARY AND CONCEPTUAL IN NATURE. AT LEAST 7 YEARS LEAD TIME SHOULD BE ALLOWED FOR NEW FACILITIES.

FUEL SOURCE DISTRIBUTION % (MID 1980'S)			OIL REQUIRED FOR FOR 1990		ADDITIONAL BORROWING AUTHORITY REQ. THRU 1986 ①	
COAL	NUCLEAR	GAS / OIL	% OF ENERGY	BLS. IN MILLIONS	\$ MILLIONS	YEAR REQ.
18	45	37	17	1.9	350-450	1981
53	35	12	16	1.8	28(THRU 82) 34(THRU 83) 51(THRU 86)	1980
					208-271	1979
51	35	14	16	1.8	28(THRU 82) 34(THRU 83) 51(THRU 86)	1980
					241-313	1981
45	45	10	16	1.9	147(THRU 82) 153(THRU 83) 170(THRU 86)	1979
52	34	14	24	2.7	87(THRU 82) 93(THRU 83) 110(THRU 86)	1979
44	34	22	34	3.9	28(THRU 82) 34(THRU 83) 51(THRU 86)	1980
					199-258	1985
34	34	32	40	4.5	-4(THRU 82) 2(THRU 83) 19(THRU 84)	1983
					247-321	1984
75	0	25	16	1.8	350-450	1981
0	0	100	100	11.2	N/A	N/A

2) COST OF FUTURE LIGNITE PLANTS AND FUELS SHOULD BE VIEWED WITH CAUTION. THEY ARE PRELIMINARY AND CONCEPTUAL IN NATURE. AT LEAST 7 YEARS LEAD TIME SHOULD BE ALLOWED FOR NEW FACILITIES.

ACTION REQUIREMENTS

**FIND PURCHASER FOR 410 MW FPP - DEVELOP NEW LIGNITE CAPACITY FOR 1988;
ADDITIONAL BORROWING AUTHORITY REQUIRED 1981
REQUIRES 1,900,000 BLS OIL IN 1990**

**FIND PURCHASER FOR 150 MW FPP - 100 MW STP; DEVELOP NEW LIGNITE CAPACITY
FOR 1986; ADDITIONAL BORROWING AUTHORITY REQUIRED 1979
REQUIRES 1,800,000 BLS OIL IN 1990**

**FIND PURCHASER FOR 150 MW FPP - 100 MW STP; DEVELOP NEW LIGNITE CAPACITY
FOR 1988; ADDITIONAL BORROWING AUTHORITY REQUIRED 1980 & 1981
REQUIRES 1,800,000 BLS OIL IN 1990**

**ADDITIONAL BORROWING AUTHORITY REQUIRED 1979
REQUIRES 1,900,000 BLS OIL IN 1990**

**FIND PURCHASER FOR 100 MW STP - DEVELOP NEW CAPACITY OR PURCHASE POWER;
ADDITIONAL BORROWING AUTHORITY REQUIRED 1979
REQUIRES 2,700,000 BLS OIL IN 1990**

**FIND PURCHASER FOR 100 MW STP - 150 MW FPP; DEVELOP NEW CAPACITY OR PURCHASE
POWER; ADDITIONAL BORROWING AUTHORITY REQUIRED 1980 & 1985
REQUIRES 3,900,000 BLS OIL IN 1990**

**FIND PURCHASER FOR 100 MW STP - 210 MW FPP; ADDITIONAL BORROWING
AUTHORITY REQUIRED 1983 & 1984
REQUIRES 4,500,000 BLS OIL IN 1990**

**FIND PURCHASER FOR 400 MW STP - DEVELOP NEW LIGNITE CAPACITY FOR 1988;
ADDITIONAL BORROWING AUTHORITY REQUIRED 1981
REQUIRES 1,800,000 BLS OIL IN 1990**

**NATIONAL REGULATORY REQUIREMENTS EFFECTIVELY PRECLUDE ANY NEW
OIL AND GAS GENERATION IN MID 1980'S
REQUIRES 11,000,000 BLS OIL IN 1990**